

Seattle Municipal Tower, Room 4096

Seattle Planning Commissioner: Steve Sheehy

Facilitator: Jim Metz, DPD

Note Taker: Josh Miller, DPD

Attendees:

- Architect and real estate developer, past member of the Capitol Hill Design Review Board
- Architect
- Representative of the Seattle-King County Association of Realtors
- Architect
- Homesite – nonprofit, affordable housing developer
- Homesite representative and Planning Commissioner
- Harbor Properties – housing developer

1. Who do you build for? What demographic do you rent/sell to?

Most developers are probably serving the 80% to 120% of median market. Mainly, market conditions over time would be 100% of median, which is generally where you end up. We all know there are a broad range of folks out there, but it is pretty difficult without getting into the specialized programs, like tax exemption, to get below 80% given land costs. And 120% - well – you could do it during the dot com phase. In our case, with Harbor Properties, the market is primarily apartment dwellers with more of a long-term hold, and that's the kind of market we go for.

I'll piggy-back on that. We do serve people who are at 40% of the median income and up to 100%. Our units are for sale, so they are condos; and what we are struggling with is given - the cost of land and the cost of construction, developing for that population is very, very difficult. We're looking for all avenues of flexibility.

The average or median income of our clients last year was 60%, which shocked me.

(Discussion on what is median income - \$70,000, \$72,000, or \$45,000 for 60%. \$48,000 for the City of Seattle, which goes by family size.)

We do a lot of the upper-end. We work with private developers from the design standpoint. A variety of people: single, married, normally not first-time buyers. So, I'm on the other end of the spectrum. The building that I do is also in that middle-income on up. So, I have a tendency, and my developers also have a tendency to stay away from the lower, and because it's not as profitable; it's more difficult to do, and most of the buildings I design and are built are not for first-time home buyers. They are either retired or semi-retired; people selling their house in the City for a simpler life in the condominium market. The apartment end of it is a little more varied. We reach down into what I would call affordable housing, but only a few units in the building.

We probably are in the same category. Design for developers and a lot of it is not very low income brackets. An interesting phenomena is that frequently we have clients that start out looking to be more affordable, and either from the building cost point of view or market plan view, they trend upward, and the logic is sometimes leaving it propped on the table for somebody else to pick up by buying the building and upgrading it – they don't want to do that when they realize that that is the likely pattern. Or the cost of getting out of the ground, including the cost of getting through the building department, start to drive the total project costs up to a point where affordable is not an option.

Right, that is our biggest issue. We'd love to get down into the 70's, especially in our inner ring; I'm talking First Hill, Capitol Hill as it rings downtown and South Lake Union. There are, by our calculations, probably 200,000 employees downtown who make right around \$40,000, \$35,000-\$45,000, in that range. There is precious little housing that meets that. Probably 2,000 units max that would be affordable to them, so they are commuting out. We have light rail and everything is sending them out of the city. They actually want to live in the city so they can walk; they want to give up their cars, but cost of land is being driven by the market, we can only build it for so much. Something we've talked with the Office of Housing is beyond the tax exemption program, what other ways can we help us get there, because I can't build it any cheaper, and my land cost is what it's at, sometimes driven by zoning. It is a challenge to be able to build any lower as you go up, you can always find people, but the market gets thinner and thinner and thinner, and it is just a matter of how much risk you want to take.

Jim Metz – We're going to want to know, in this meeting, a lot more about affordable housing. Is anybody building anything different from what you've heard about at the table?

The projects we design for private developers and the projects we design for ourselves; I would have said 5 or 6 years ago that we were starting at 80% of the median bracket and going up from there. As market forces have changed, and the regulatory climate has become less friendly, and a whole host of reasons, we basically now start at 110% and go up. What we used to do is, for below median housing, is entirely over. That is something we would like to do more of, but it's not feasible to do it anymore.

2. On what grounds is the decision made to build apartments or condominiums?

Location.

Jim Metz – So what location works better for each?

For me, of course, view properties. Anything on Queen Anne Hill or Capitol Hill with a view. Downtown; we should be more involved with that. Size of the project has something to do with it; size of the property – we're not doing condominiums of 5 or 6 units. It's not worth it. There is too much risk. So it's location. Another big determination of whether we are building condominiums or apartments is the insurance industry. The project we are doing right now, we're right around \$10,000 a unit for insurance, and it's an up front number, so particular projects get a \$360,000 hit before you get started. That's why projects are going to have to be bigger if they are going to be condominiums so that's a big determination.

Almost all of the contractors in town cannot – if you could roll back the clock to 5 years or so ago, the owner would get his own insurance, the contractor would get his own insurance, you would kind of build under your normal conditions. That cannot happen anymore in the condo market. It is increasingly starting to be more prevalent that even contractors are not allowed

to build apartments without what you call a wrap policy. What that means from the developer's side is my insurance went from \$35,000 on a 100-unit project to \$400,000. I'm not going to recover that in the rental market so that's why we're having to be very careful who we choose for contractors these days so we can avoid that. But in the condo market, if you just simply add that to the cost of the project, I'd want to be in a neighborhood where I know I could recover that cost because I can sell those units for a little more because I'm in a popular neighborhood or I have a view. You are not just going to build it in a so-so area.

That is changing, theoretically. The recent quote for a project of ours was \$7,000 per unit. Because of the state legislature's recent changes for condominium projects which wasn't in existence until last year. Insurance rates are declining.

How many units?

That was 49.

We only do home ownership, so we don't have the decision point that you are all looking at. As we are forced to go denser, because of the cost of everything, forced to get involved in these wrap policies. We are currently looking at a 19 unit condominium that we were quoted by our insurance agent was \$400,000 to buy a policy; it is only for one million dollars worth of coverage.

Actually it has been a long time since we have done an apartment building, and it was converted about 10 years ago; and usually for my clients, they don't have the capacity to hold these projects for a long time. This is out of my expertise, but, if I'm not mistaken, income on proforma-apartments has gone way, way out there, and, for some reason, rental rates have just stayed quite low compared to purchase values. So the market is just having trouble around the country to cause this.

For us, the number one factor that drives the decision apartment vs. condo on the development side is land cost. It really is that simple when it comes right down to it. There are a lot of other factors that come into play. I know we were talking about wrap policies; we've been doing some condo projects, and yes, the law has changed so the insurance rates are coming down, but a year and a half ago we were getting quotes on wrap policies for as much as \$50,000 a door for a condo project. That's a lot of money. And that is one of the reasons that priced us out of doing anything below median at all. We went strictly into high-end condos for the few condo projects we would do. Now that the law has changed, the insurance rates are coming down, but a side effect of that, one of the things that came through with the revisions to the condo act is a large shifting of liability onto consultants and architects in particular. Designers of projects now have to certify a whole bunch of things in order to be able to ultimately get certificates of occupancy and sell units, so the wrap policies are going to come down. My liability insurance is going to go way up. In fact, we already have one that is on the percent of billings that we are allowed to have on any given year that come from condo work. We're capped at 30%. We're one of the few architects left in the City that will even consider doing condos on a large scale anymore. This is all outside of the purview of zoning, but these are all issues that affect affordability.

Jim Metz – But it is important to know as the policy maker, because it is the context of the environment that growth would operate in.

I'm in a position now where I'm putting up townhouses on Midrise zoned sites on Capitol Hill. That should not be happening.

What's driving that is insurance. What's happened has distorted land values because you take an 8-unit site that you normally stack units on, \$50,000 a unit or \$60,000, whereas doing what you're doing, the land costs you can justify at \$120,000 or \$100,000 a unit. So, all of a sudden these small infill lots are so high priced that you can't afford to do anything on them other than build townhouses and sell them off. You're basically dropping back down into the single family market.

And I think that will eventually start to change, even from our insurance agents. I haven't even heard this happening in Seattle. So, it must be out on a more national scale, but they are finding it used to be the condo owner associations were hiring all the lawyers and attacking you; that's where all the insurance came down. They are finding that even if you get an apartment over a certain size or even a group of townhomes that those people can collectively form a homeowners association or apartment owners association and then turn around and do the same thing, and so what we're starting to find is that the insurance is sort of not taking exception anymore between apartments or condos; or they just assume you are going to convert it later and then it will become a problem. But the other thing is really just market factor. If I had a site in Belltown right now, I'd building an apartment, not a condo because the condo market – there's a lot of people coming online with condos down there. There is a demand for it, but, with the price levels, and all the other factors that people have to take into consideration. Right now interest rates are doing crazy things, staying low for a long period, but nobody expected them to. At Harbor Steps we never thought we would be competing against home buyers. We've been dealing with it for over 5 years now. Once the interest rate factor changes, that will change the dynamics of the market, then condos may be out-priced. That doesn't affect the high-end; high-end people always have money to buy more stuff, but as far as affordable market rate units, I think you'll find apartments come back depending on where the interest rates fall and the affordability levels for the average home owner. That obviously plays in peoples decisions about market risk.

This is also driving a housing style – you see more and more of the townhouse style buildings built. We have some people who love to live in a one-level flat, top-floor middle-floor whatever and we can't really offer that because the insurance is driving the townhouses and the townhouses to take advantage are building to get the maximum square footage.

That's one place in particular where market forces have collided violently with the zoning code. The way the townhouse portions of the multifamily code are written, it results in a lot of really unfortunate townhouse projects being built. It is really problematic.

Can you give an example?

They are all over Seattle where you have these little wood-framed things stuck right out on the street and you have the parking access down in the big alley in the back and a whole bunch of little cracker boxes in the back. That stuff is getting built because that's what the zoning code tells us to build.

3. What factors most influence your decision to build in a particular area – land availability, proximity to goods and services, transit, zoning, the housing market?

AND

4. What key factors determine a project's density?

It's zoning and the land availability, which is tied to the cost of the land. The zoning affects the ultimate return on it. Since we live in the margins, everything plays out. And then, for us in your list here, probably contrary to most owner/developers, the housing market really comes in last. Because our ability to design units and build units in a supportive way that we can capture a market that nobody else can talk to, so the market for us, we feel pretty good that we can do what we need to.

For us and our clients, this list is all applicable. All these factors, and the affordability of the land ties in, in the sense that we end up doing a lot of development on challenging sites, whether its an environmentally critical area or a strange shape of site, or something. So, it tends to be deflated in value a little bit which tracks our client, and then we have a little puzzle to solve.

We do a lot of that, too.

Which is fine, and interesting, but it's the point that it's the odd parcel that's what's attractive.

A lot of that is really a cross between the rents we think we can get in an area vs. the costs of the land, and there are some areas of the City, it's a bargain. Other areas, it's not a bargain just because either the neighborhood, there's a feeding frenzy maybe going on about land purchasing and as badly as a lot of people want to build on Capitol Hill, there just aren't a lot of large parcels available for a larger development like Harbor usually is involved in – we don't operate out of somebody's home, you know, I'm not a single person, we've got overhead. We really can't. It's not affordable for us to build an apartment building with less than 75 units. For us to recapture our costs and all that brain damage we put into it. So, we're really not looking to build a 20 unit type. We're looking for how can we honestly assemble enough property to build a building that's of a size that we can make affordable. We're trying to make it affordable to get down to those lower income levels. We also want to be close to employment centers. If we're meeting the more affordable market rate group, and frankly that's a big bubble of people, we're trying to decrease our risk by meeting those folks. When the economy recovers, they are not getting big raises – they are still going to be making \$40,000 a year. They are still there. But, they want to be close to the downtown. They want to be close to the hospitals, or the university area. So, there are large groups of people that want to be within walking distance of work. Certainly we care about the goods and services, and the infrastructure that's already in the neighborhood, and then do people want to live there? Is it a popular area? Pike/Pine is very popular – you can go a couple of blocks in certain directions and you get behind Harborview and it may not be as popular a place to live and that's kind of where we look. But, it's basically the cost of the land vs. the rent availability. We follow that around. Your building is going to cost the same amount of money whether I put it in Burien, or whether I put it on Capitol Hill. So, that factor needs to work.

I've seen neighborhoods play an important part in at least the condo market. A good example is Magnolia. We've done quite a few projects over there; most of them condominiums and it's people who have lived in that neighborhood and want to stay in the neighborhood so the neighborhood issue is a big issue that draws a lot of the condo projects.

An interesting side light on that is that there are neighborhoods that are transitional or going to be or people hope they will be – South Park is one - and the Long Painting site. I lost track of what's happened to it, but when it became available I called all the developers we work with and said go look at this. It's got to be a good price, if we can figure out ways to do things. The City will be interested in helping, and nobody did, it was – the developers we work with are interested in all these things we are talking about here – the views – the communities that are already developed, and being close to those jobs and urban environments that have activities.

The hard thing about the future is, as much as I could believe in what the rents will be, my lender lends on what you are getting today and my loan is only going to be \$X. I can't convince them to look into the crystal ball. That always gets to be a challenge where we see the vision and you have to kind of inch towards it but you can't just go out there and create something unless you are willing to sit with a negative profit for a while.

I would have to say that of all these items, they are all important, but the most important one is the market. Without any question, when it comes down to it, after we've figured out the zoning, untangled the regulatory Gordian knot, and found the right location, if people are not going to buy it, not going to rent it, then it doesn't matter. So, that really is the primary element to the degree that all of these other things kind of constellate around that then its going to be a better project. If I have a project where the market demand is there, I have the right location, it has the right zoning, everything is coming together. That's going to be a great project. Then it's going to happen. If my market demand is pushing me to do something that these other elements aren't coming together for, the project is not going to happen, or its not going to happen that way and I can try to create a demand by doing a new project like the one at the painting site is a good example – you know, there is a lot of risk involved with that. In a hot market, which is what we are in right now and have been for some time, there's not a lot of incentive to take that kind of risk.

You don't have to.

I don't have to. In a hot market, by taking that risk, I don't get adequately compensated for it on the final sale or the rent. Now, in a down market, I do get compensated for that risk because I can create a demand when there wasn't one. What it all comes down to is the market. All these other things are very, very important as well, but housing cost is related to the market.

We have a good situation on First Hill. We have a site that is zoned for 160'. We're not going to build to 160'. We decided to do light-gauge metal and get that 8th story up there, but we're not going to do 160' of concrete because as an apartment I cannot get the rent. Even at Harbor Steps I can't get the rent today or for the foreseeable future that will support that. I know some people at DPD were a little disappointed that we weren't maxing out our zoning up there, but on the flip side I said 'well, I'm not building thousands square foot units like at Harbor Steps' – I'm building 500 sq. ft. units that are affordable to the people up there, so I still get a hundred units on the site, just in a different shape and a little lower. I'm meeting a different market. So, density-wise we're still able to achieve it. We're going after a different market, but some people would have liked to have seen the height maxed out.

The message out of all this for a planner writing a zoning code is that you can write all day long but market forces are going to drive the density, not the zoning code. The zoning code

may very well mess up what market forces would do, or contradict what market forces would do.

That's why they should be more neighborhood specific. I was on the Planning Commission for several years and we went through all these neighborhood plans. Two things: one is what we talked about as far as the neighborhoods are concerned, we got very close to the community groups of the neighborhoods and a couple of the communities that we thought would take density. After we got them together, they weren't. But this parking issue just knocked them over, right for a loop. Why have all that space for cars when people don't need it? They can use public transportation.

Market sources will take care of that.

Yeah, but you talk about planning, you are talking about the City being an incentive to help you get this going. And the parking is still a mess.

Jim Metz – We're talking about density. Is there anything besides market forces that drive how dense the projects are?

Parking.

It's one of the things that binds you - you have to have when you have mixed-use, because you need the parking for commercial. But in the Rainier Valley right now, which is where we're fixed, structured parking is what is killing all the projects, and costs, too, because of the speculation around light rail. Parking is important.

And it's been that way for 10 years or longer. It's killed a couple of large projects – 192, almost 200 units that my office has been involved in have stopped.

We just finished a 34 unit condo project in the north end of Rainier Valley and it is on a steep slope, and so we went in there, concrete structure, structured parking, our least-expensive unit was \$150,000. And we were required to put in 43 parking stalls. That's what we were required to do – I couldn't get around that. If you go in the parking garage, even when it should be full, it's about half full. There are people who bought in there because of easy access to transportation. But in addition to that, for these units that start at \$150,000, our on-average parking cost was \$40,000 a stall. So I've got \$150,000 sale price, \$40,000 for my parking, \$10,000 for insurance (insured 2 years ago). That leaves me \$100,000 for the land and construction permits and fees and architects, etc. Part of that is education, this gets back into trying to get back out into the market. It's the people who want free parking. You've just got to change that. You can go to Capitol Hill, I don't care what neighborhood you're in, University District. There are enough parking stalls there today to put all those cars. Our garages are empty. I have residents on Capitol Hill who refuse to park in my parking garage. Even at \$50 a month,

Jim Metz - How do you explain that?

It's free. There are not enough meter maids out there to chase them away. It's free.

Every once in a while they get their car window broken, and I always say that about the 3rd time they get their car window broken, then they think maybe I should be paying for parking. People will bitterly move out of our garage and into Seattle Central's garage for the summer

because it's \$90 for the summer. As long as we have free parking on the streets, they'll move their car and do whatever they have to do.

And this is a situation where talking about stacked flat development vs. townhouses - there's a big divergence between common development types. What should be done, except for extremely limited situations. We're building townhouses and we have to put the parking in the townhouses or we can't sell them. Townhouses with detached parking, generally, except within a few very selective areas, they don't sell.

You asked if there were other things, and I think it is all tied together so much, but occasionally there are aspects of design character that are different with different densities of housing, and it is certainly true between flats and condos. There's a radical difference. And you'll never get the same density out of townhouses that you will out of flats. So there is that which is frequently a character choice but also tied to market forces and insurance and parking and all these other things. We'll sometimes build fewer units than zoning allows because it's a more appealing product. It also dips into urban design and the building from a single-family neighborhood to a one of a neighborhood business district. The zoning doesn't always give you a nice little diagram that way - it really would go single-family house and then small apartment block, bigger apartment block, so a developer might say 'this would go a lot better and I could get through design review easier, which is going to be a nightmare for me if I did townhouses than if I did apartments,' so that's kind of an interesting edge.

That's where the code could help - because it says that if you have 4 or fewer units, you don't have to go through design review.

That's true. We have frequently gone through voluntarily because to avoid talking about the little townhouse formula that has the alley with the parking and stuff, we don't like that formula, and we will pretty much refuse to do it; and on most sites for townhouses, you can't conform to the zoning rules, even if it is just 4 without doing that so you have to go to administrative design review; and then a lot of time is involved for administrative design review. If there's a little bit of concern in the community, let's just pop it into public process. So, suddenly my small developer has a 1-year process with \$20,000 in fees. Maybe now that we're paying by the hour maybe its \$20,000 just from DPD, just to get through Design Review that he thought was, if he asked for an administrative variance, it would just take a few hours.

In addition to the review fees, I have a developer I'm doing townhouse design for over in West Seattle. It's a 120' x 120' lot. According to the zoning for the site, it should be a 12 unit density. We're only going to do 8 because we want to avoid design review. If we go through design review we're looking at a minimum of 10 months - the land is \$7,000 a month. A minimum of \$70,000 carrying costs just to get through design review. That doesn't even count the permit review fees, which will be another \$10,000 or \$20,000. It's insane the amount of time it takes to get these projects through the process.

Let me throw in the critical areas ordinance on top of that. I'm in the 3rd year of getting a whatever exception/exemption, I've never figured those out, on an 8-unit site I proposed 5 units and I ended up with 2 because of the regulations, and its all a numbers game on the review. We aren't going to give you a 95% coverage on critical area site because the numbers are too high. And so we are getting density that is 2 units vs. 8, which is 25 % of the permitted density.

And that's doing a lot more to affect affordability in the City because if I have a site that is supposed to be 12 units, only now we can only put 8 on it we can't afford to carry the land through this year-long review process. Also, the dirt cost per unit has gone way up, now we can't even approach an 80% median price point on those townhouses. Now we have to go for 110% - 120% - if we loose even more units than that, the price continues to go up.

The other one is open space – you know obviously I think neighborhood commercial zones have a lot worse problems with that because the lot coverage allowance and open space requirement pound on each other. We'd love to do roof decks, and I think that's what is really frustrating is in the Midrise zone, you have a lot of side setbacks and you can't build on a lot of your property. What's even worse is all the modulation you have to do to get around there. Design review let's us get in there and say 'Hey, let us do a roof deck.' Trying to horse trade all the time – I don't know anyone who goes through Design Review and doesn't ask for a departure in some way, shape, or form for the open space requirement. And then the unintended penalties – you get your hands slapped if you try to do what is called a through-block development. I can understand that they are trying to protect against a mega building that goes through the block, but if I just happen to own the 2 parcels at the end of the block and I'm trying to just do a little building that connects with the 2 at the end, I have a huge penalty, and suddenly it is almost unbuildable. If you are doing the Highrise zone and you are going the other way, you have to do this 100' wide notch in the middle of the block. If I was building a 24 story tower, I can understand why you would want 2 separate towers, but if I'm only building a 7 story building in a Highrise zone or an 8 story building in an Highrise zone, a huge 3rd of the project couldn't be built, and probably that wouldn't have been that bad in the community's eyes on a 8 story bldg.

I think there is another regulatory issue that impacts density that relates directly to many of these points, and that is that there are many different parts of the multifamily code that are mutually inconsistent with each other, so if I have a site where my density calculation tells me I can put 12 units on that lot, after I take out open space and all of these other things, setbacks and all of that, it may not be geometrically possible to hit that 12 unit density. I may be capped at 10 just because of all the other requirements. That, in addition to, making development problematic, I think it must have a huge impact on the real estate sales side because it makes predictability of what can we actually put on this land really difficult. I have a lot of clients come to me and say I bought this parcel and density calculations say I can put 6 units on it, but probably they are only going to get 4 after we apply all these zoning caps and restrictions.

Related to that concern of not being able to hit the zoning yield is that it's more of a Comprehensive Plan thing, but I'd like to see feedback on whether the City is monitoring projects where you are not able to meet your zoning yield through market factor, or through critical areas, or whatever the code conflict is. That feeds back into buildable land and then forces you to up some other areas or forces you to go back into the code and understand why that is happening so we don't get further and further behind because right now, as we do comprehensive planning, if on paper you can get 14 units, we're counting 14 units to be there. But we're never meeting that. We go further and further into the looking glass. And have a greater and greater housing supply problem.

5. What about the multifamily code requirements is hard to understand or may not produce intended or desired results?

If I had to characterize it, I would say the whole code, but the multifamily section of the code in particular is badly broken and needs to be scrapped entirely and rewritten.

If it were completely up to me, I would say multifamily zones should go over to floor area ratio (FAR) calculation system. Take off all the height limits, all the side yard setbacks, and just go strict FAR. Then, have a series of incentive calculations, bonuses, for the things the City wants to target: open space, all those things for a series of FAR bonuses. The goal here is to get our side of the table and the City's side of the table working in a partnership and not adversarially. That's one thing that has become a huge problem in how we conduct our business now. To the extent that we can all get on the same side with a shared goal of making Seattle a world class city, and the best way we can do that is to build this flexibility into the system so that where the rubber meets the road, we can accommodate market forces and the community's goals for smart development. The best way to do that is essentially on the point system with a series of bonuses and trade offs. It would be simple to administrate.

Tacoma has that approach. Their zoning envelopes, basically, are pretty loose and large, and then it's a market force driven selection of a bunch of things that a developer can do in order to get what they want. And if they want something 400' tall, they can get it through selecting these points, but maybe they don't or maybe market forces suggest something different so realtors aren't looking at the property and pricing it based on how many units you can get on it under 400 square feet and some X' tall tower. They are looking at what the market is likely to generate as a product on that land. The value tends to reflect that. The developer has a little predictability that is not based on a more manipulative zoning code overlay. There is another angle on this that is interesting, and I've been trying to figure out how to talk about it. In Seattle it might be a little bit politically incorrect because it has to do with neighborhood interests and neighborhood forces. Design review is a good place. I think it pervades the code, but design review is a good way to talk about this issue. It's an issue of leadership by government and by the planners and government. I think what has happened in Seattle – it's not that we're in an adversarial relationship with the people in the building department. The developers are in an adversarial relationship most of the time with either real or perceived neighborhood groups. The people in between are the building department. In Vancouver or Portland or cities with successful zoning codes and programs, the people in between act as enforcers of the rules and as guiders of good planning. In Seattle, the City has given that away. We don't do that anymore, and design review is the perfect place to see that. Ideally, when I go into design review, I should know that the zoning code gives me these rules and that the person with the City who is administering the design review will be on my side when I want to rely on these rules, and not on the side of a neighborhood group that has a special interest. Frequently, we usually go around design review to get the neighborhood on our side, and it shows in design review. What we have to do is go in and find that person who parks their car on the alley, who really wants a parking spot. Ideally, the wise planners in the middle here would be keeping a lid on the neighborhood activist and keeping a lid on the over rambunctious developer/architect, and causing a predictable product to come out of it at the end. That's not happening anymore. I think the neighborhood groups have figured out how to use design review as a leveraging device, and it costs us all years of time, piles of money.

Twenty years ago I sat in a meeting where we wanted a predictable code. We wanted better looking buildings. So, we were going to modulate them all. What we've ended up with, I think our code now is just a reaction of the neighborhoods. I'm in favor of tossing much more into the design review process, get rid of a lot of these regulations, I'd even look at designing the building as some way to get through the zoning code. I feel like somebody is guiding my hand and telling me what kind of roof to put on, and where to jog the building.

I would agree with all of these comments in that, in terms of modulation, I would like to see that seriously put into the code because I think that in my mind there is this prototypic Seattle building that you can look at it and just know that it came out of the zoning code. The zoning code designed that building. They all modulate this way.

We don't want typical Seattle junk. I want a more traditional buildings that are built out to its edges, that carries its beauty in the harmony of its windows and the structure of its materials. Don't give me this modulated junk with the pitched roof. I think the modulation part of the code - I would like to see gone. Design review – it has been my experience with design review, other than the first time I went in there, which was very early on, that in the scope of the work that is up for discussion by the design review board is very clear and are clearly enforced. It is actually a very good process. You get all kinds of departures. It's the holding of that scope that is a difficult thing to do and I frankly end up, in my design review meetings, being the person who forces that limit. I would like it to be more judicious. When the board starts straying into stuff that is not within their purview, it shouldn't be doing this. I just want to stand up and say 'excuse me, I believe that protocol says that this is what is in your purview, and let's talk about those things.'

I have served many years on the Capitol Hill Design Review Board. I currently have 11 projects active in design review. I've done a couple dozen of them. I know the system from both sides. The system has the potential to work well but it doesn't work well.

Well, we had a design departure process written into the code for several years, in the 1980's I think. I used it because I could go in and build a terraced building where I felt a terraced building was a lesser impact on the community in a certain area, and I could spread the building out and it was right there in the code. After a few years it disappeared because they started interpreting things differently and deciding that we were building on too much of the land even though the same square footage was arranged differently. It eventually disappeared out of the code. It was in there and it was used – I was using it on quite a few projects where we were doing a lot of terraced housing. That was a big push when you wanted more terraced housing on a hillside.

Design review, as I understand it, it has done a real good job of keeping projects out of the courts. Some of them still go there after design review – the communities don't like it. It's the role in the middle that I'm interested in. I actually have benefited hugely from design review. The results out of my office are a consequence of being able to get what we needed to achieve through design review. Those processes were hell – I'm kind of used to it, but my clients aren't – in fact one of them won't work in Seattle anymore. He can't afford it.

It takes hours and hours to get on that treadmill to do, and yet it has benefited a lot of us - but at what risk to the developer? I would go back, and I expect it is true, that at the beginning of design review the administrator of those meetings was in a much stronger role and the community was much more unsophisticated in their techniques. Now the community comes down with an activist understanding and says we're going to stop this. Then the City administrator rolls over or almost does. It drags out. I'd love to revamp that. I'm not sure how to do it.

It's not just City staff that has been passed about, either. When I was on a design review board there was constant grappling with the people on the board staying focused. Not giving in to this tendency to succumb to the pressure from the community.

Technically, we're supposed to just sit there quietly and listen to your debate and respond. I can't sit there and listen to something that is starting to go off, and I support the process, I'm not anti-process, but I do say sometimes you get the four people who show up who really don't understand design and may be asking for something that I think completely deviates from their neighborhood plan. And you're thinking 'wait a minute – I thought your neighborhood didn't want this.' We have had people asking us to put retail in a Midrise zone.

One thing that is an unintended consequence is when we find a site and start to quickly do numbers, and then we start looking for an architect, the unintended consequence is that I'm really evaluating the architect's ability to perform in that specific region, that building type - people who can handle a site on First Hill. We ended up with one, and there were just 3 or 4 people we picked to work on First Hill. In that neighborhood we knew what we could get through. We had tax credits so we were on a really tight time frame – very stressful – we would like to be able to spread our design budget out to more architects but we tend to get focused for a number of factors. One is knowledge of the system as it stands.

On design review – I'm not going to comment on whether it is good or bad – the one thing I would like to say is if it is going to stay, the process needs to change. Right now, my understanding is that in my neighborhood to get into my first design review meeting is a 4 month wait, and so I'm looking at a project, before I can really know whether it is at sketch level or go or no go, I sit there for 4 months. And I wait. And then to get back in again – that is tough. And I can't do my Master Use Permit (MUP) application before I do my first design guidance meeting.

You sit in the meeting, and they say, "What are you really going to build?" So you have to decide.

Yeah, that's the other part of the process. Everybody I've ever talked to says you are supposed to go in with this drawing, this sketch. You design the building, you design everything within the building, and then you go and you print it out, and if you really believe in this concept, you lay a piece of trace over it and hand trace the site plan and elevation, and put some line drawings and lettering in. You don't know what the outside looks like until you know what the inside looks like. So design review is purely about the outside. So, you have to have the inside done. And the only way to have the inside done is by designing the building – it's the process. And you have to do all of this before you even start your MUP.

6. What about the multifamily code works and what's missing? (e.g. intent of regulations, flexibility, illustrations)

I would definitely say that lack of commercial use requirements. Where the multifamily zones are it's probably appropriate that there is not a commercial requirement because of the lack of viability -although there are a few areas that might work. I don't know whether that is a question – we've had people in different neighborhoods who have actually supported it. But one thing that does work: if I take a Midrise (MR) zone with a 60' height limit vs. a Neighborhood Commercial (NC) 65' zone – what does work is unfortunately with the NC 65' requirement that first floor have a height of 14 feet – I'm going to put the same number of floors in that building – so what happens is my upper floors get squished. And I think the quality of life in an NC building is less than in an MR because ideally I want 10 feet floor to floor, at least, because as units are getting smaller, I think 9 feet clear minimum is a standard of living. We shouldn't force people to live in ceiling heights of 7'6" even though the code

allows it. It's a bad living experience for folks. I want to keep those ceiling heights up. Often what I find, even with the MR is I'd like another foot. But you shave it down, take about 2" from everybody but I will say the MR is better for the 6-story building than a NC 65' zone if that is what you are looking at. In NC they give too much emphasis on the commercial floor.

We do a lot of those, so we have prime workforce housing over 1 floor of retail, and usually there is parking to some degree. We should be thankful that the parking has been lowered the last couple of years so that helps a lot. We have a challenge in competing with retail space. We can build the space, and generally the lenders view that the building is built with very little expectation that the retail space is ever going to generate income. That means we don't have to build out funds. In terms the commercial space, 'isn't this a beautiful shell?' Yes. Everything is brand new, and, oh, I love it...but it's a challenge for us to rent those.

That's why they stay vacant for 3 or 5 years.

Well they do; we finally have hit that, we have enough people, and we have enough effort, that we are sacrificing our own money. We're giving subsidies and it's not the way it should be.

It's not the best way to use resources.

Thank you. You're making my point.

Jim Metz - So what works or what doesn't work? What is more predictable in the current ordinance? I know that predictability is a high value for you.

Obviously density is really predictable. I'm jumping a little sideways, but our big issue on all of these zones has to do with how things are interpreted - inconsistent interpretation and implementation. I find so much inconsistency between reviewer A and reviewer B that I end up having to go back through and pull a copy of the ordinance out, and circle it and send it down to the supervisors and say will you go tell them that this is the way to do it. More education is needed in the department.

We need more consistency when applying the code.

Jim Metz – is it because the code is inherently confusing and inconsistent itself, or are we just doing a bad job?

Sometimes. I know of a roof issue we have had. The code says you have to take into consideration the elevation changes on your site, meaning that you have an alley that is 6 feet lower than the front street, you'd have to shift your building down, but there is Client's Assistance Memo (CAM) that says, 'oh, never mind, we didn't mean that.' And a lot of people don't know that the CAM is out there. Then I pull out the CAM and so it's like why don't you just take that out of the code if you've written a CAM that says, 'don't worry about it.'

Jim Metz – CAMs shouldn't be inconsistent with the code.

I'll tell you what really doesn't work. The height calculations and the method of measuring height. We used to have a method where you would determine a base elevation and then go

up your 30' or whatever it was from that elevation, and you could actually build your building all the way out to the corners. Now we are designing the building, we're going through this CAM and we get a different interpretation from the City on it where we have to build the building, then we go back and erode the corner because its over height limit, and then we start looking for – do we put a skylight over here, do we put whatever exceptions, and there are exceptions all over the place.

Just as an example, the way the height limit calculation is specified in the code is measured from a plane parallel to existing grade. What is existing grade? I had this long conversation with the City for this project I'm doing up on Capitol Hill, the Scottish Rite Masonic Temple. We're taking it down and working on that whole site. That site was heavily impacted when the temple was built. It was a non-conforming use even when it was built. Terraced site - there's a big basement underneath that thing. What is existing grade for that site? Is it the parking lot terraces? Is it the original grade of that site from what it was before they came in and dug all that stuff out? We're getting conflicting opinions from different planners with the City about what exactly it means. The final result we got back from them saying it was the Department's policy that existing grade is whatever the grade is there right now. What if I go in there with a couple of dump trucks, and maybe 20 dump trucks, and I pile a bunch of dirt on top of it and I let it sit for 6 months? Then does that mean I have existing grade from that new elevation? He said, 'well yes, technically.' And if I go in there and demolish the building and I sit for 6 months, then I now have this big pit – is that now my existing grade? He said according to that interpretation 'yes.' Does that make any sense? No. There's a kind of sense of literalism amongst the people who interpret the code and they aren't even consistent about the literalism. Another example: a project I'm doing on an NC site on Capitol Hill – 15th and East John across from Group Health. It's an NC site, 45' height limit. We're doing one level of commercial, three levels of residential above. This is actually an apartment project because this is for a family trust. They want to own this project for a long, long time. It's in a pedestrian overlay so the goal in the code is to have the building front on the sidewalk all the way around and be very urban presence. And there is this thing in there about landscape requirements: 5% of our area for landscape requirements that you have to provide at the street-level even though we're supposed to be building out to the sidewalk and there's a thing in there that says that landscape requirement only applies if you're developing on a vacant lot. There are buildings on this lot and they are current occupied. They're not vacant. And they say we still have to do this 5% landscape because when we tear the buildings down for the month or so when we clear all this stuff out to get the pit dug for the parking garage, it's going to be vacant. There's a kind of insane literalism on the one hand and total inconsistency.

Yet you can go to another reviewer and they'll have an entirely different opinion.

Every project we start, we always request a reviewer. We don't always get them, but we always request a reviewer.

It's an interesting thing to ask. Are there things that work about the code? I suspect what you'll get in the way of postscripts is that there is such a broad range of flaws or fractures in the system that's just a very hard thing to answer. When I think through the puzzles we have to put together and the results. No, I don't like the modulation. I have some incredible pieces of architecture that are totally un-modulated. There are examples of brand new housing types today around the world that we can't do here. So, there are things I don't like, but on average it does what a lot of zoning codes do. It does it in an incredibly complex way through thousands of pages of documentation with all subjects. All these different interpretations and

being – you’ve got this huge edifice that is also pushed on successfully by small interest groups in the neighborhood. That’s what’s broken it up. There might be lots of clauses that are just fine. But I work in six states and I can probably take all the zoning codes in all the jurisdictions that I work in and put them inside the number of pages that the Seattle zoning code occupies. It is absurd. It’s the core problem that generates all these other problems that we’re describing – and I bet we could talk for hours and not duplicate a problem. We could come up with anecdotes that cover almost one of those thousands of pages and everyone of the employees down there as well. I don’t know how you fix that.

One of the things that I like about the code is the fact that at the beginning of each zone, there’s a description of the intent of that zone. Because when there are conflicts in all the rest of it, I go back to that, and when I run into the discrepancies in interpretations by the staff, I can go back to them and say, ‘this is the intent.’ I take that and interpret it through, this is how I understand this segment of the code. And so for me having those intent sections there are absolutely critical, and as a follow up to that, you guys’ comment about putting – if you do have the incentive program into the FAR system, what it does do is somewhat to the intent part of the code, which is it forces the City to say these are our goals, and this the priority of our goals. It works very well as a parallel with the intent part. It is half-way facetious but true part of the things about the code that I think is good is that given the chaos that does exist in the code and the conflict that exists within the code itself, and in addition to that the interpretations of the code, I’m usually able to find a route through all this to do what I need to do. So, that chaos can work for me, although it’s hellish, and it means that I sit there and read the code for the best part of a week, it allows me my opportunities.

If I could just interject a comment: I think that going to a simplified code like based on floor area ratio could be a very good thing especially compared to this arguably or completely Byzantine structure that we have now. I think you’re jumping a little bit if you say getting rid of that will fix all the problems because there’s still the political situation that is not unique to Seattle at all - where single family uses are given deferential treatment always. Or nearly always. And that’s where this issue of neighborhood groups, that sort of problem, does not get any treatment from changing the zoning code. That’s a bigger structural thing that is one of the biggest problems in planning actually.

Seattle needs to decide what it wants to be. Do we want to be the biggest small town in America or do we want to be a real City? And politically we have not made up our minds about that.

7. In your opinion, what types of development are proven to be most affordable (and for whom?), and does the zoning accommodate this type of development?

I think it’s possible. I think we need help. I was the number one driver going down to the Office of Housing to revive the tax exemption program when it expired. We went down there. I’m like, ‘this is the only tool we have.’ It used to go up to 80% of median. One of the challenges is what is affordable housing? You ask 10 different people and they will have 10 different income brackets that they think that applies. It’s a moving target. There really isn’t a clear definition, even in a Highrise zone; I’ll just say one of your bonus points is to provide affordable housing. What is that definition? The DPD has admitted they are working on this, but they are putting a new definition to that because they realize, as you’re looking at a section, there really wasn’t a clear definition of what that meant. They are coming up with one. But basically, as we said before, land is going to be a fixed cost, the building is going to be a fixed cost, there is only so much you can do, and generally I’m about

a \$100 to \$200 a month off from, say what the guy making \$40,000 could pay without sticking him in a micro-studio. How do we bridge that gap? We would love to meet that target market. I could fill up buildings all day long if I could find a way to build an apartment to meet that affordability range. We've talked about taking employer bus pass subsidies and turning those into rent vouchers. If they are walking to work, they don't need to take the bus to work. What are other tools that we could use to help us because you don't have to convince me of whether or not I should build more work force housing? I would love to, but I can't. I'm a for profit developer. I can't go get grants. And it's frustrating because we would love to do it. We look to government to find ways – maybe bonusable height? I've been asked by Office of Housing 'if I gave you another two floors would you be able to drop your rents?' Depends. If I go from wood frame construction – if I'm in a 65' zone and you said I could go to 85', I could probably do that. If I'm already at 85', and now you're causing me to go into concrete, it doesn't matter. Now I'm going in the opposite direction. For affordability, and since high-rises are on the table, quite frankly there's a zone for apartments and it's different for condos, but between 13 stories and 17 stories. If you are concrete, you have to be above 17 stories before you get enough density to pay for the upgraded structure and life safety. That's why, in the Denny Regrade, you look out there in a 125' zone and you almost never see any development there until the condos figured it out.

There are two things: 1) it would be helpful to clarify the discussion between rental and home ownership; and 2) in terms of available funding sources - we get money for all sources available, and projects over \$10,000,000 – \$12,000,000 are rare. You're right down here, because of the way how many applications you can put in, it's just very challenging to get up to the size that you're talking about. Those are fairly unique opportunities at this point. I think the other aspect of it is what is affordable? What is workforce? We do both home ownership and we do rental housing and so we find that affordable housing – 30% is sort of the bottom line. Below that it is transitional housing. And then 50%-60% is sort of where you hit the upper edge of work force – between the 60% and 80% you are talking about the group who probably are looking for home ownership but probably not in the close-in area where it is very small.

There's a huge rental population in that range. What's confusing is the Land Use code used to have an affordable housing requirement – 10% of the housing had to be affordable to between 80 – 120%. That was the definition of affordable housing 10 years ago. There's been a big shift of where that is – when you say affordable, a lot of time our reaction is "what do you mean?"

And the mix is the other part and that's the biggest challenge we are facing now in trying to help with South Lake Union. Can you in one building put affordable rental housing with the ownership market? What a challenge you face – from 360° whether it is somebody appraising the project, the bankers who want to fund it, or the code, there are a lot of issues.

Jim Metz - When we talk about affordable housing, are we almost always talking about multifamily housing?

We can no longer do single family. I call them dinosaurs. It didn't use to be the case for home ownership – you did have single family.

The new emerging law for that, I think, is the land trust where a non-profit takes the land out of the equation so your home ownership, you can buy the home, you generally have a written agreement that says you're going to earn so much percent equity - your cap, and beyond that

the money goes back into the non-profit that owns the land to sustain the project as affordable. And that's happening right now in Bellingham, Lopez Island, among other places, and we have one underway in Kenmore.

In addition to the obvious land costs that are so high that doing single family affordable is really, really difficult in the City. The code exacerbates that by keeping the density on single family really low. If I can come in and do single family zero lot line, I might be able to do single family affordably, but the code doesn't allow for it.

In San Francisco, for example, there are a lot of single family attached and it's great.

Jim Metz - The zoning accommodates multifamily reasonably well but it doesn't necessarily accommodate multifamily affordable housing because it's a market issue?

The zoning code could do things to promote affordable housing, and that FAR process would be one way to do it – going back to some sort of prescription for affordable housing. It used to be 10%, in Tacoma; actually, I don't think they have this one because they have lots of affordable housing. You could say that if a developer puts a percentage of project value into a fund that supports or issues grants to low income housing, they'd get so many FAR.

Your Highrise zone has that now, which is basically: everybody can go to 16 stories, but if you want to get to 24 stories one of the ways you can do it is to drop a certain percentage of your units permanently, or for 20 years, at 70% of median or below. You'd get 20 stories or so if you did it at 80% of median. So there are different steps. You get a few more floors for every level you are ready to drop down on affordability. So, that's in there now. Again, it's a good tool, but you have to be careful that it doesn't throw you into a different construction type. Then you go backwards. So, it only works if you are going from 65' to 85' feet. If somebody said I'll give you a 100', I'd say it doesn't matter.

Jim Metz - So a version of that in the lower zones might...

Maybe from 40' to 50'.

And it probably needs to more of a funding source than an inclusion in the project.

I think part of why we are having a hard time really nailing down a solution to this problem is because part of what you said which is the definition of affordability is unclear for one, but the other thing is that as construction prices rise, the problem gets more difficult to solve. What might have been a solution 5 years ago is not a solution now. For right now, we can just barely squeak it out. We develop our projects like for profit. We go get a construction loan that is not grant based. However, because we're a non-profit, there's that profit margin that we don't expect to make and there in lies our affordability: our ability to squeeze it and make it pencil out. I think probably in a year and a half I'm going to have to increase the capacity on a piece of land to make it work just given the way land and construction costs are going. That increase in capacity, as far as the code is concerned, is going to be by a couple of different things: 1) is increase density allowances, and decreased parking for the most part, because parking is such a driver of what you can build right now; and 2) is the fact the water and the sewage and all of that. The water taps I think is based on your street frontage and so if my boss says get 12 more units on it, it decreases my per unit cost for that water tap, the sewer tap and the storm drainage system. The other thing is in terms of single family, it is subject to all this, which is why we moved away from single family – we are doing a single

family zero lot; actually it's a condo, but townhouses, in Snohomish right now. To find a piece of land in order for us to do a development, it doesn't make sense for us to do a ten unit development anymore. And to find a piece of land in the City of Seattle on which you can build more than 10 units on the ground that is not wetland or steep slope or some other environmentally critical area is hard. There's not that much land. And then those pieces of land that you do find like our 6-1/2 acres that we bought and developed and finished it off 3 years ago – it was at the bottom of Rainier Valley. There was no storm line within blocks of it so we had to take it out downhill from us. There was no infrastructure. There was no sewer, no roads, there was water, no storm, no sidewalks, no power, there's no phone, no gas.

The other thing to look at single family – we're allowed accessory dwelling units and I have a townhouse project which just happens to work out where I could easily put an accessory dwelling unit in each one of those townhouses, which would be reasonably small, which would rent for less, or sell for less, and would add to the housing stock. We're not allowed to do that. We chop our land up into townhouses; no accessory dwelling units are left. That might be a real easy fix in the L1 or . . .

General agreement.

I think it is really important to stress the ability to increase the carrying capacity of the land and that is influenced by parking. The 2nd biggest challenge is affordability and not be able to afford the median priced home. I just ran the numbers for listing prices, combined figure for condos and single family detached. You need about 150% of the median income in for-sale. The final sales price, and you can back that off a little bit, but that tells you that you have a real supply problem and it's a ratio of jobs now. At the end of the day, it is really about insuring that you are offering enough supplies and living wage jobs.

I don't think that the supply issue is related just to the carrying capacity to individual lots. Look at that map. How much of the City of Seattle is multifamily?

Jim Metz - 7%.

It should be at least double that.

Interest rates will go up. That's a big cost driver that we have not experienced and we are going to experience. It may be that mortgage rates go up. Other stuff may go down, lumber will be cheaper, but that's something you really need to think about. We know that costs are going to dramatically increase. Whether it's for rent or for sale – interest rates are important. Right now the short term interest rates are really up.

In the greater Seattle area – I was talking to our appraiser – they can see rates just dropped two full points within the last quarter, which is absorption of 6,000 apartment units. This is greater Seattle, beyond the city limits. The only way you can explain it is that there are 6,000 people who moved into the area.

What's it going to be like at nine?

That's just in three months – that kind of growth.

What's your forecast for next year?

Another note – often when alternative housing types, for instance, I was thinking about the cottage housing units. It was a test program at the City and it got a lot of fire from City Council members, and one of the things it's important for the elected side to understand is that new construction is not to be expected to provide the affordability. You ought to be providing some place for that move-up buyer to go and the unit that they leave. That relationship is important for folks to understand in terms of affordability.

So, retaining older buildings is critical.

But not just beating you up if you are going to build a 100% to 180% of median income project – that's not a bad thing. In fact, we're addition to the supply, which is having a positive impact on overall affordability, because you are adding new units into the market place.

8. The Comprehensive Plan and many neighborhood plans call for a mix of housing types. How do you think we can achieve a mix of housing types? Do you think the Land Use Code allows for this?

No, I don't think it is. I think it's encouraging homogeneity in different terms, especially in the NC zone.

What you are really seeing is - I was driving around with a realtor the other day, and we drove by three, NC-3 40' buildings by three different architects and they were pretty much identical, except the colors were a little different. And he said 'look, we're building tomorrow's slums.' They were all cement board over wood frame and selling for a lot of money on a concrete base, but they weren't necessarily high quality construction and they were designed by zoning. Imposing the zoning on the local, on this piece of land.

Jim Metz – So from your perspective we're not getting the kind of mix that we would?

I think in Lowrise zones it's happening a little better. In lots of places flats might work; some places townhouses. So, you're getting a little more variety. I don't know about the affordability part of it – I think maybe not.

The one odd place is First Hill. The Highrise zoning: it's 50% open space requirement on the lots – it's huge. So, you have very little density and you'll either go to the extremely high-end and do a high-rise condo or be like Cabrini. I'm going to build a wood frame affordable low-rise building and so you have low income and you have high income and there's no middle. And the crazy thing is the City Council will look at the average and say, 'oh look the average rent is \$800 a month – it's \$3,000 a month or \$300 a month.' There is not \$800 a month apartment on First Hill. It doesn't exist. But because of the 50% open space you can't build a decent size middle income building there.

The implied affect is also a loss of quality in community, because we find the most successful buildings are the ones that mix the incomes. It's a hard start usually but it's usually very successful.

Jim Metz – When you have mixed incomes, do you have mixed housing types that go with that?

Not a lot. We do a lot of the five over one, but a good example is an apartment on 85th where we have townhouses ringing the edge. You get a little bit – apartment building with townhouse surrounds. That's helpful.

At Harbor Steps we have rents that start at \$600 a month and they go to \$6,000 a month. All in the same building and all take the same elevator. What doesn't work is mixing condos and apartments. Mixing the incomes works great.

Jim Metz – But we're not being very successful in encouraging that?

I'm not sure that the code can encourage that.

Jim Metz – Expand on that.

The bottom end is that the rents drop out. When trying to make the whole project pencil, what you can afford.

Like you all are saying, the philosophical drive. Because we are nonprofit, we have the luxury of not having to get that last 20% or whatever the profit margin is you all need to make in order to survive. We have a little more flexibility. We're at a point where the land and the construction costs are so high that we need to find a point within each project in order to make the affordable unit more affordable. So it's a market driven thing. I don't know that I can think of a way that the code either encourages or discourages that as long as in general I can build up to my maximum density allowed.

The only place it does effect it is I couldn't do the \$600 a month apartment if I didn't have the \$6,000. Now if I took that building and I threw it at South Lake Union or the University District, I'm not going to get \$6,000 on the top floor.

I think that the addition of ADU; that's one aspect, the other aspect is parking. Those two are code issues that can help.

There is a section of the code that allowed us to add a dwelling unit to multifamily, prior to 1967 or something.

Why penalize the new structure? If you have a multifamily building up and operating and neighborhood is used to it now, you don't have all of those big issues. Why not just go through it and say, 'well, if you can squeeze another unit in there, we're going to let you?' You'll increase your unit density by one or two or whatever the number is. I have clients who come to me and say, I'm right on the edge. I'm allowed 5.5 units and I can't get that extra .001 to get that extra unit, but I can't get it on here. We end up creating managers' rental offices, and all these creative names of spaces in hopes that the code will change and that can actually be converted into a living unit. Especially in the Lowrise 3 zone where a lot times we can get more density.

Right now, open space is both a required component and can be an optional component, let's say in the Highrise code. If the answer ends up being we all write a little check to the Parks Dept., what is the right amount of open space if we're providing it for a community park and that's the direction we're supposed to go? Then how much is appropriate to do on our site? Nobody's going to not do it anyways. There's a lot of areas like the Highrise 50% open

space requirement on your lot that is a little rich. Keep that in mind. How much is fair in addition to that check?

9. How can we encourage good design?

Not specifically addressed.